

NON-DEPARTMENTAL

DEBT SERVICE

	FY2001 ACTUAL	FY2002 APPROVED	FY2002 ESTIMATED	FY2003 APPROVED	CHANGE FY2002-FY2003
Principal					
Schools (GOB's)	\$ 11,654,371	\$ 12,643,100	\$ 12,643,100	\$ 14,214,400	12.4%
Mass Transit	5,021,146	4,918,500	4,918,500	4,884,600	(0.7%)
Roads (GOB's)	8,821,833	9,415,600	9,415,600	10,273,000	9.1%
Roads (State Loans)	1,770,499	1,209,200	1,209,200	642,500	(46.9%)
Public Buildings	5,676,156	5,513,800	5,513,800	5,526,400	0.2%
Fire	1,237,922	1,176,300	1,176,300	1,106,400	(5.9%)
Community College	341,618	482,900	482,900	636,900	31.9%
Correctional Facilities	1,536,921	1,502,600	1,502,600	1,453,100	(3.3%)
Library	670,803	793,700	793,700	956,100	20.5%
Health	89,621	122,200	122,200	172,200	40.9%
Police	1,813,931	1,736,100	1,736,100	1,656,100	(4.6%)
Hospital	973,694	191,200	191,200	174,800	(8.6%)
Industrial Development					
Authority Debt	2,965,000	3,105,000	3,105,000	1,490,600	(52.0%)
MILA Debt	57,924	61,200	61,200	64,700	5.7%
Local Government Insurance					
Trust (LGIT) Debt	760,000	800,000	800,000	845,000	5.6%
Current Year Bond Sale	0	0	0	0	N/A
TOTAL	\$ 43,391,439	\$ 43,671,400	\$ 43,671,400	\$ 44,096,800	1.0%

NON-DEPARTMENTAL

GENERAL FUND

	FY2001 ACTUAL	FY2002 APPROVED	FY2002 ESTIMATED	FY2003 APPROVED	CHANGE FY2002-FY2003
INTEREST AND SERVICE CHARGES					
Schools (GOB's)	\$ 10,783,493	\$ 10,795,700	\$ 11,788,300	\$ 12,142,000	12.5%
Mass Transit	2,790,402	2,546,900	2,546,900	2,303,800	(9.5%)
Roads (GOB's)	7,800,401	7,874,500	8,439,600	8,517,300	8.2%
Roads (State Loans)	158,384	90,700	90,700	47,800	(47.3%)
Public Buildings	3,044,301	2,809,200	2,951,200	2,805,500	(0.1%)
Fire	546,375	532,600	572,000	548,400	3.0%
Community College	624,840	614,300	617,900	597,400	(2.8%)
Correctional Facilities	778,885	735,000	748,500	691,700	(5.9%)
Library	783,163	758,200	758,200	718,600	(5.2%)
Health	179,311	175,000	254,200	327,500	87.1%
Police	686,592	588,800	596,500	508,500	(13.6%)
Hospital	53,071	25,300	25,300	17,400	(31.2%)
Industrial Development					
Authority Debt	1,869,795	1,727,800	1,727,800	3,342,600	93.5%
MILA Debt	127,048	123,700	123,700	120,200	(2.8%)
Local Government Insurance					
Trust (LGIT) Debt	806,190	764,300	764,300	719,000	(5.9%)
Current Year Bond Sale/Refinancing	0	3,785,200	0	1,139,100	(69.9%)
TOTAL INTEREST AND SERVICE CHARGES	\$ 31,032,251	\$ 33,947,200	\$ 32,005,100	\$ 34,546,800	1.8%
PRINCIPAL	43,391,439	43,671,400	43,671,400	44,096,800	1.0%
TOTAL PRINCIPAL, INTEREST AND SERVICE CHARGES	\$ 74,423,690	\$ 77,618,600	\$ 75,676,500	\$ 78,643,600	1.3%
Less:					
State IDA Int.	\$ (198,923)	\$ (182,700)	\$ (182,700)	\$ (331,300)	81.3%
Mass Transit	(7,811,500)	(7,465,400)	(7,465,400)	(7,188,400)	(3.7%)
Pre-TRIM Debt	(1,792,506)	(659,400)	(659,400)	(596,300)	(9.6%)
School Surcharge	(534,211)	(2,006,700)	(1,321,200)	(2,641,600)	31.6%
Interest and Premiums	(329,422)	0	0	0	N/A
NET COUNTY DEBT	\$ 63,757,128	\$ 67,304,400	\$ 66,047,800	\$ 67,886,000	0.9%

FY2003 Debt Issuance Plan

To support the level of general obligation funding programmed into the FY2003 approved capital budget, Prince George's County would need to issue new general obligation debt of approximately \$115 million, almost the same level as FY2002. The main factor behind the larger debt issuance is the accelerated construction of public schools in the County. The current debt climate continues to be favorable in a historical context. This market will allow the County fiscal flexibility through lower interest payments on debt in the future, while still allowing for an aggressive development plan that will enhance services for citizens of Prince George's County. In FY2002, the County maintained its bond rating of AA by Standard & Poor's and Fitch, and Aa3 by Moody's.

Outstanding General Fund Direct Debt

Direct debt is debt incurred by the Prince George's County government in its own name. The gross outstanding general fund debt, the amount that would be due if 100% of the principal were due on June 30, includes the County's General Obligation Bonds, Revenue Authority Revenue Bonds and Maryland Local Government Insurance Trust (LGIT) obligations issued for self-insurance liability funding. On June 30, 2000, the outstanding General Fund direct debt totaled \$468.6 million; on June 30, 2001, the outstanding General Fund direct debt was \$507.5 million; and at June 30, 2002 the outstanding direct debt is estimated at \$513.9 million. This excludes overlapping debt of the Industrial Development Authority bonds.

Outstanding Net Tax - Supported Direct Debt

Portions of the direct debt are considered to be self-supporting, i.e., not dependent on County tax revenues. Self-supporting outstanding debt, including debt that is repaid solely from the County's share of certain State-collected taxes and user charges, is detailed below:

SELF-SUPPORTED DIRECT DEBT		
(Millions \$'s)		
	Est. 6/30/2000	Est. 6/30/2002
Mass Transit Debt (WSTC)	\$ 53.9	\$ 44.5
Stormwater Management	31.8	36.6
Parks	0.0	0.0
County Solid Waste Management Bonds	85.1	78.2
School Surcharge-supported	0.0	33.0
Maryland Development Debt	2.3	2.2
Maryland CDA Infrastructure	1.2	1.1
State Bonds	5.3	1.6
Total Self-Supported Debt	\$ 179.6	\$ 197.2
SOURCE: Official Statement, 11/28/2001, Prince George's County, Maryland General Obligation Consolidated Public Improvement Bonds, Series 2001, Page 62; Official Statement, 7/11/2000, Prince George's County, Maryland General Obligation Consolidated Public Improvement Bonds, Series 2000, Page 58.		

OUTSTANDING NET TAX-SUPPORTED GENERAL FUND DIRECT DEBT
(Millions \$'s)

	Actual 6/30/00	Actual 6/30/01	Estimated 6/30/02
Direct Tax Supported General Fund Debt	\$ 468.6	\$ 507.5	\$ 513.9
Overlapping Tax Supported General Fund Debt	44.0	41.0	41.0
TOTAL	\$ 512.6	\$ 548.5	\$ 554.9
ANNUAL GROWTH		\$ 35.9	\$ 6.4

SOURCE: Official Statement, 11/28/2001, Prince George's County, Maryland
General Obligation Consolidated Public Improvement Bonds, Series 2001, Page 63

Other Outstanding Debt

In addition to the direct debt, the County has formally agreed to pay the Industrial Development Authority of Prince George's County for the payments due on lease revenue bonds through annual lease payments. The Authority uses the lease payments made by the County to retire its outstanding debt. Most of the proceeds of the debt issued by the Authority were used to build the Prince George's County Courthouse in Upper Marlboro. On June 30, 2002, the outstanding general fund overlapping debt is estimated to total \$41.0 million.

Debt Service and Other Payments

When debt is issued, the County is given a debt service payment schedule similar to the amortization payments given a citizen when he borrows money to purchase a home or a car. The County is required to budget annually for the payment of principal and interest due on the amount of debt that it has incurred along with the annual premium payments and lease payments described under "Other Obligations". (Revenue Authority debt and certain other lease payments are shown under Other Non-Departmental.)

From time to time, the County reviews its debt to see if it should restructure or refinance the debt to minimize its cost or to maximize cash flow requirements. A similar technique is used by the taxpayer who refinances his mortgage when interest rates are lowered, resulting in a reduced monthly payment. Or, the taxpayer may choose the lower interest rate and opt for the same monthly payment and thus pay off his debt much quicker.

The County is obligated for its first payment of interest six months after debt is issued; principal is due twelve months after the debt is issued.

Recoveries

Portions of the debt and obligations related to transit, as well as debt issued prior to November, 1978 (Pre-TRIM Debt) are retired through dedicated tax levies. In addition, certain payments are made the State of Maryland for a portion of the IDA lease payments. Starting from FY2001, school surcharge revenues have been used to offset part of the cost of new school construction.

Debt Service General Fund Sources

Highway User Revenue is allocated between the Highway Maintenance Division in the Department of Public Works and Transportation and Debt Service for roads.

Fiscal Year	Assessed Value	Net Direct Debt	% of Net Direct Debt to Assessed Value	Debt Service as a % of General Fund Expenditures
2001	\$18,182,903,909	\$507,496,857	2.79%	4.19%
2000	17,891,768,130	468,598,727	2.62%	4.26%
1999	17,525,978,395	426,735,523	2.43%	4.33%
1998	17,159,141,300	390,313,990	2.27%	4.54%
1997	16,991,421,580	420,733,003	2.48%	4.68%
1996	16,678,955,890	413,966,874	2.48%	4.48%
1995	16,381,235,790	426,151,116	2.60%	4.31%
1994	15,829,303,670	403,244,572	2.55%	3.05%
1993	15,177,630,330	351,218,038	2.31%	2.59%
1992	13,987,342,690	326,521,259	2.33%	1.31%
1991	12,935,738,350	298,111,259	2.30%	4.24%

Notes:

1. The assessed valuation is approximately 44% of true value at June 30, 2001.
2. These amounts represents the County's general obligation bonded debt - which excludes the Primary Government's Stormwater Management Enterprise Fund bonds paid with dedicated tax collections, Solid Waste Management System bonds repaid from user charges, debt for parks reimbursed by the joint venture M-NCPPC, and debt for mass transit reimbursed by the WSTC (joint venture) - and includes Parking Authority's (component unit) bonded debt.

SOURCE: Comprehensive Annual Financial Report for the Year Ended June 30, 2001,
Prince George's County, Maryland, Page X-7.

GRANTS AND TRANSFER PAYMENTS

GRANT PROGRAM	FY2001 ACTUAL	FY2002 APPROVED	FY2002 ESTIMATE	FY2003 APPROVED	CHANGE FY2002-FY2003
Grants to Community Organizations	\$ 1,023,309	1,080,100	1,080,100	1,785,000	65.3%
Required Payments	160,322	198,000	198,000	89,000	-55.1%
Economic Development Corporation	1,828,400	650,000	650,000	650,000	0.0%
Other Economic Development	244,500	1,736,500	1,736,500	636,500	-63.3%
Conference and Visitors Bureau	540,000	540,000	540,000	540,000	0.0%
Memberships	413,166	435,000	435,000	435,000	0.0%
Strategic Goals Initiative	0	350,000	350,000	350,000	0.0%
Capital Grants/Community Facilities	0	0	0	1,500,000	100.0%
Transfers to CIP	3,062,000	0	0	6,000,000	0.0%
TOTAL	\$ 7,271,697	\$ 4,989,600	\$ 4,989,600	\$ 11,985,500	140.2%

Grants to Community Organizations – These grants help to support a wide range of organizations serving citizens of all ages and cultural heritages. The objectives of these organizations vary—from providing or enhancing recreational or educational opportunities to assisting persons experiencing crises or who can benefit from other types of assistance.

Required Payments – Amounts shown here represent anticipated costs mandated by State or local legislation, regulation or contractual agreement.

The Economic Development Corporation – Under contract to the County, the Economic Development Corporation promotes economic development and neighborhood and business revitalization, collaborating with the business community and other public entities.

Other Economic Development – Regional marketing and job training are supported by these funds. Also included here is a contribution to the Financial Services Corporation previously budgeted in the Department of Housing and Community Development.

The Conference and Visitors Bureau – This funding supports the Conference and Visitors Bureau, which is a promotional agency under contract to the County and is an element of the County's comprehensive economic and cultural development program.

Capital Grants/Community Facilities - This appropriation will support planning, start-up or construction costs for projects requiring evidence of available matching funds as a condition of acquiring funding commitments from private sources or other governmental entities. Among these items is support for a September 11th memorial.

Strategic Goals Initiative – These funds will be utilized to further the objectives of the County as outlined in its Strategic Goals Initiative through support of costs which were not addressed elsewhere in the County budget.

Transfers to the CIP – This appropriation provides for transfer from the General Fund to the Capital Improvement Program. In FY2003 these funds will be allocated to school construction projects to ensure initiation of construction.

OTHER NON-DEPARTMENTAL EXPENSES

	FY2001 ACTUAL	FY2002 BUDGET	FY2002 ESTIMATE	FY2003 APPROVED	CHANGE FY2002-FY2003
General Fund Insurance	\$13,808,238	\$7,115,500	\$7,115,500	\$5,862,200	(17.6%)
Judgements and Losses	\$269,102	\$300,000	\$300,000	\$300,000	0.0%
Postage	\$1,088,382	\$1,121,900	\$1,121,900	\$1,221,900	8.9%
Real Estate Acq. Program	\$4,406,776	\$4,742,400	\$4,742,400	\$4,741,600	(0.0%)
Equipment Leases	\$7,184,620	\$12,505,100	\$11,360,000	\$8,582,500	(31.4%)
Other Leases	\$1,317,027	\$1,209,800	\$1,309,800	\$2,709,800	124.0%
Utilities	\$3,977,320	\$4,488,100	\$4,140,000	\$4,258,200	(5.1%)
Street Light Electricity	\$1,364,658	\$1,428,000	\$1,428,000	\$1,470,800	3.0%
Traffic Signal Electricity	\$3,637,630	\$4,200,200	\$3,930,000	\$4,120,000	(1.9%)
Miscellaneous Expenses	\$2,004,849	\$900,000	\$1,200,000	\$850,000	(5.6%)
Compensated Absences	\$0	\$116,800	\$116,800	\$114,000	(2.4%)
Revenue Authority Debt Pymts	\$1,285,978	\$1,283,000	\$1,283,000	\$1,280,700	(0.2%)
State Debt Assumption Pymts	\$1,280,551	\$1,280,800	\$1,280,800	\$1,279,400	(0.1%)
Economic Development	\$3,255,000	\$500,000	\$500,000	\$500,000	0.0%
Deferred Compensation in Lieu	\$44,016	\$60,000	\$60,000	\$70,000	16.7%
Office Automation	\$1,004,078	\$0	\$0	\$0	0.0%
Miscellaneous Pensions	\$20,807	\$23,000	\$23,000	\$23,000	0.0%
Unemployment Insurance	\$221,500	\$200,000	\$200,000	\$200,000	0.0%
Retiree Life Insurance	\$743,263	\$800,000	\$835,000	\$900,000	12.5%
Retiree and Other Health Insurance	\$5,888,502	\$7,334,600	\$6,850,000	\$8,034,600	9.5%
Sub-Total	\$ 52,802,298	\$ 49,609,200	\$ 47,796,200	\$ 46,518,700	(6.2%)
<i>Expenditure Recoveries</i>					
Retiree Health	(\$467,403)	(\$500,100)	(\$500,100)	(\$500,100)	0.0%
Leases/Utilities	(\$2,304,172)	(\$1,839,400)	(\$1,839,400)	(\$1,839,400)	0.0%
WSTC	(\$148,206)	(\$145,000)	(\$145,000)	(\$145,000)	0.0%
Real Estate Acq. Program	(\$391,153)	(\$879,200)	(\$879,200)	(\$879,200)	0.0%
Postage	(\$161,830)	(\$146,700)	(\$146,700)	(\$146,700)	0.0%
Sub-Total	\$ (3,472,764)	\$ (3,510,400)	\$ (3,510,400)	\$ (3,510,400)	0.0%
Total	\$ 49,329,534	\$ 46,098,800	\$ 44,285,800	\$ 43,008,300	(6.7%)

PURPOSE

Non-departmental expenses includes costs essential to the operation of the County Government which do not fall within the functional assignment of any one department or agency, or which provide for expenditures related to several departments or agencies. Non-departmental recoveries represent a sum of expenditures that are offset by charges to individual Departments throughout the County.

OVERVIEW

The total approved FY2003 Operating Budget for Other Non-Departmental Expenses is \$43,008,300, 6.7% below the net expenditures budgeted for FY2002.

EXPENSES**General Fund Insurance (Self-Insurance Fund)**

This account is managed by the Risk Management Unit in the Office of Finance and insures fire, casualty, automobile, and public losses. The Self-Insurance Fund is composed of the following

governmental entities: the County, the Community College, the Library and the Board of Education. Contribution levels are based on the results of an annual actuarial study.

The total General Fund Insurance Budget is \$10.4 million. Of that amount, \$5.9 million is budgeted in other non-departmental, and the remaining \$4.5 million of Worker's Compensation is allocated throughout the County Government. This funding is necessary to provide for a 75% confidence level on pending, unresolved claims.

Judgments and Losses

This account represents contingent small claims payouts by the County.

Postage

The postage appropriation for FY2003 reflects expenses for metered mail, permit mail and courier services. Approximately 13% of postage costs are recovered from various agencies each year. These costs are expected to increase slightly in FY2003 resulting from an anticipated Federal postage rate increase.

Real Estate Acquisition Program (REAP)

On May 3, 1991, pursuant to the Real Estate Acquisition Program (REAP), the County financed the acquisition of two leased properties. The agreement required annual appropriations beginning in FY94 to pay annual purchase installment payments. REAP II was issued in August 1994 totaling \$21.9 million. The financing consisted of the purchase of five facilities and the relocation of over 600 employees in 10 different County agencies. The FY2003 cost of the various REAP leases payment is \$4.7 million.

Leases and Utilities

The Office of Central Services is responsible for administering these expenses in addition to maintaining the County's lease agreements for various locations. The proposed equipment lease includes payments for non-distributed leases.

The decline in overall lease costs in FY2003 was attributed to the completion of the 1996 lease obligation in FY2002. Specifically, this category includes the following expenditures:

- Equipment leases represent the County's payment for its Equipment Acquisition Program. Included in the FY2003 equipment leases is for the first year interest payments on a lease assumed for FY2003. Also included is funding for the following new leases; the lease payments for the Accokeek Library, lease payments for office space for the Sheriff's staff, and for the first year of a five year lease for voting machine equipment.
- Utility costs reflect FY2003 projected expenditure levels for all electricity, gas, oil and propane used by the County.
- Street Lights represent electrical energy costs for street lights maintained by the County.
- Traffic Signals reflect the operational funding for traffic signals provided by the County for vehicular and pedestrian safety.
- \$1.5 million transfer from non-departmental grants and transfers to fund lease development projects.

Miscellaneous Expenses

This category includes mandatory interest payments paid to taxpayers whose taxes were rebated or reduced after a final determination of an appeal. The interest is calculated at the same rate as delinquent taxes. In

FY2003, expenses for the Annapolis legislative office and funding for targeted audits of County services are also budgeted here.

Retiree and Other Health Insurance

The County portion of Health Insurance costs for retired employees is funded in this category. Unlike health insurance costs for active employees, these costs cannot be easily assigned to individual departments. These costs are projected to increase over the FY2002 approved amount due in large part to higher than anticipated health insurance cost projections.

Revenue Authority Debt - Parking Projects

The County makes rental payments to the Revenue Authority in amounts sufficient to pay debt service on the Authority's revenue bonds sold for parking garage and other parking projects. Funds are provided to meet these requirements.

State Debt Assumption

The County makes payments on various County facilities that have been financed with State debt.

Economic Development

This category contains funds that will be used as the local match for the State's Sunny Day Fund, or to leverage other opportunities to capture outside funding for economic development projects. This fund has been established as a tool to encourage economic development within the County to spur the creation and retention of employment opportunities.

Deferred Compensation in Lieu of State Retirement

Several appointed employees have elected to participate in a Deferred Compensation Plan in lieu of the Maryland State Pension System. These costs are included in this category.

Office Automation

Beginning in FY2002, funding for these items, along with computer replacements, is budgeted in the Information Technology Internal Service Fund.

Miscellaneous Pensions

One teacher who retired in 1962 is eligible for a supplementary County retirement payment in the amount of \$25.00 per month. Another retiree was added to this eligibility list in FY98. Article 73B, Section 63, of the Annotated Code of Maryland requires that the County Council of Prince George's County levy and pay pensions to former judges of the People's Court or their surviving spouses. Eligibility is based on court service as provided in the aforementioned law. Additionally under State law (Estates and Trusts Article, Section 2-108), the County must pay pensions to former judges of the County's Orphans' Court. A retiree was added to this eligibility list in FY2001.

Expenditure Recoveries (Project Charges)

This account includes a recovery from non-general funds for the use of space at the Inglewood Center and REAP II recoveries, recovery of costs from the Washington Suburban Transit Commission for mass transit activities, charges for utilities, maintenance and equipment usage payments, retiree health insurance recoveries and postage recoveries from various funds.

CONTINGENCIES

	FY2001 ACTUAL	FY2002 BUDGET	FY2002 ESTIMATED	FY2003 APPROVED	CHANGE FY2001-FY02
Compensation Contingency	\$ 0	\$ 9,950,000	\$ 0	\$ 0	-100.0%
Pension Plan Contingency	\$ 0	\$ 2,100,000	\$ 0	\$ 0	-100.0%
Leave Payout Contingency	\$ 269,092	1,850,000	\$ 500,000	\$ 3,045,000	64.6%
TOTAL	\$ 269,092	\$13,900,000	\$ 500,000	\$ 3,045,000	-78.1%

The estimated cost of leave payouts and cost of living increases for union and general schedule employees are largely reflected in agency estimates for FY2002. The necessary appropriations were transferred in the fourth quarter of FY2002.

In FY2003, funding to support cost of living increases for County employees has been allocated in agency budgets. Merit increases for eligible employees are also included in agency appropriations.

The contingency for leave payouts is proposed at a level of \$1,195,000 greater than FY2002. Greater than normal leave payout costs are anticipated resulting from the changeover in administration and due to increased numbers of employees reaching retirement eligibility.